



The City of Seattle

Landmarks Preservation Board

Mailing Address: PO Box 94649, Seattle WA 98124-4649

Street Address: 600 4th Avenue, 4th Floor

May 26, 2021

LPB 254/21

To: Landmarks Preservation Board members

From: Sarah Sodt, City Historic Preservation Officer;
Erin Doherty, Landmarks Preservation Board Coordinator

Subject: Recommended Controls and Incentives Agreement for the Frederick
Boyd/American Meter and Appliance Building,
1001 Westlake Avenue North

The subject property was designated a City Landmark by the Landmarks Preservation Board on May 3, 2017, and subsequently the owners and their representatives briefed the Landmarks Preservation Board on several occasions regarding options for incorporating the landmark into a larger hotel development. The applicants preferred scheme, as shown in briefing packets dated December 15, 2017, March 7, 2018, and April 12, 2019 proposed an addition that was approximately doubling the height of the existing building and featured 91 hotel rooms; this scheme was identified as economically viable by the applicant. However, no Certificate of Approval application was submitted and the Board has neither approved nor disapproved a proposal at this site.

On September 17, 2019 the owners' representatives submitted a letter outlining why they believe that controls will deprive the owner of their reasonable economic use of the property. They contend that adding to the existing building no longer achieves a reasonable return, and to achieve reasonable economic use, the only option is to demolish the building and develop a new 117-room hotel. The owners' consultants determined that the 117-room development would result in a 15.35% internal rate of return (IRR) over a five-year period, would be sufficient to attract capital per SMC 25.12.290D, and was consistent with the IRR expected by the owner experience.

The City's consultants, AECOM, reviewed the owners' submittals in detail, focusing on the analysis regarding the two scenarios presented by the owners: comparing a 99-room reuse

of the building (with Controls) versus demolition and building what they determined is the highest and best use, a 117-room hotel (no Controls). AECOM replicated the owners' proforma and performed a sensitivity analysis using the owners' financial assumptions combined with market data related to hotel occupancy and cap rates (see attached returns comparison table). This sensitivity analysis indicated that a project with landmark controls is viable.

The Landmarks Staff has concluded that the information presented by the owners does not substantiate the assertion that imposing controls would prevent the owners from realizing a reasonable return or deny them reasonable economic use within the meaning of SMC 25.12.580 and SMC 25.12.590.

On May 7, 2021, the Historic Preservation Officer declared an impasse to the negotiations, and prepared the attached Staff Recommendation on Controls and Incentives pursuant to SMC 25.12.490. We recommend that controls be imposed on the exterior of the Frederick Boyd/American Meter and Appliance Building.

You may take one of the following actions at your June 2, 2021 meeting:

- Approve the recommended controls and incentives in the attached Staff Recommendation on Controls and Incentives as provided for in SMC 25.12.510; or
- Not approve the controls and incentives recommended by staff and forward your own recommendation on Controls and Incentives to the Hearing Examiner as provided for in SMC 15.12.520.

Attachments: Returns Comparison Table
Staff Recommendation on Controls and Incentives

Returns Comparison

Scenario	1	2	3	4	5	6
Description	99 Key - Applicant Submission	117 Key - Applicant Submission	99 Key - 75% Occupancy and 6.65% CapRate	117 Key - 75% Occupancy and 6.65% CapRate	99 Key - 83% Occupancy and 6.65% CapRate	117 Key - 83% Occupancy and 6.65% CapRate
Internal Rate of Return (IRR)	-1.1%	10.7%	15.5%	27.4%	29.5%	41.9%
Equity Pre-Tax Profit	-\$612,339	\$5,869,540	\$10,007,730	\$18,231,900	\$22,228,803	\$32,585,158
Land Contribution	\$5,210,000	\$5,210,000	\$5,210,000	\$5,210,000	\$5,210,000	\$5,210,000
Construction Cost	\$38,882,740	\$33,782,612	\$38,882,740	\$33,782,612	\$38,882,740	\$33,782,612
Total Cost	\$44,092,740	\$38,992,612	\$44,092,740	\$38,992,612	\$44,092,740	\$38,992,612
Construction To Loan	65%	65%	65%	65%	65%	65%
Equity Amount	\$15,432,459	\$13,647,414	\$15,432,459	\$13,647,414	\$15,432,459	\$13,647,414
Loan Amount	\$28,660,281	\$25,345,198	\$28,660,281	\$25,345,198	\$28,660,281	\$25,345,198
Interest Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Construction Start Period	Year 1	Year 1	Year 1	Year 1	Year 1	Year 1
Construction Duration	2 years	2 years	2 years	2 years	2 years	2 years
Construction End Period	Year 2	Year 2	Year 2	Year 2	Year 2	Year 2
Occupancy Start Period	Year 3	Year 3	Year 3	Year 3	Year 3	Year 3
Absorption Duration	2 years	2 years	2 years	2 years	2 years	2 years
Sale Period	Year 4	Year 4	Year 4	Year 4	Year 4	Year 4
1st Year NOI	\$2,648,609	\$2,860,283	\$3,487,680	\$3,696,504	\$4,277,394	\$4,573,804
Income Escalation	2%	2%	2%	2%	2%	2%
Use NOI For Paydown	Yes	Yes	Yes	Yes	Yes	Yes
Reversion Value	\$43,100,000	\$44,400,000	\$52,446,313	\$55,586,528	\$64,321,708	\$68,779,013
Value of Real Estate Tax Abatement	\$736,009	\$0	\$736,009	\$0	\$0	\$0
Total Value	\$43,836,009	\$44,400,000	\$53,182,321	\$55,586,528	\$64,321,708	\$68,779,013
Closing Costs	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Closing Cost Totals	\$2,191,800	\$2,220,000	\$2,659,116	\$2,779,326	\$3,216,085	\$3,438,951
Sale Proceeds	\$41,644,208	\$42,180,000	\$50,523,205	\$52,807,202	\$61,105,623	\$65,340,062



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STAFF RECOMMENDATION ON CONTROLS AND INCENTIVES

American Meter and Appliance Building

1001 – 1005 Westlake Avenue North

At the public meeting on May 3, 2017, the City of Seattle's Landmarks Preservation Board voted to approve designation of the American Meter and Appliance Building at 1001-1005 Westlake Avenue North as a Seattle Landmark based upon satisfaction of the following standard for designation of SMC 25.12.350:

D. It embodies the distinctive visible characteristics of an architectural style, or period, or of a method of construction.

I. RECOMMENDED CONTROLS

To assure the preservation of the specified features and characteristics of the landmark, the following controls shall be imposed:

A. CERTIFICATE OF APPROVAL PROCESS

1. A Certificate of Approval, issued by the City of Seattle's Landmarks Preservation Board pursuant to Seattle Municipal Code (SMC), Ch. 25.12, must be obtained, or the time for denying a Certificate of Approval application must have expired, before the Owner may make alterations or significant changes to:

The building exterior.

2. A Certificate of Approval is not required for the following:

Any in-kind maintenance or repairs of the features listed in Section I.A.1.

B. ADMINISTRATIVE REVIEW

1. Administrative review and approval may be provided for the following items listed in Section B.3.a according to the following procedures. The Owner shall submit to the City Historic Preservation Officer (CHPO) a written request for these alterations, including applicable drawings and/or specifications. If the CHPO, upon examining submitted plans and specifications, determines that the alterations are consistent with the purposes of SMC Ch. 25.12, the alterations shall be approved without the need for any further action by the Board. If the CHPO disapproves the alterations, the Owner may submit revised materials to the CHPO, or submit in accordance with the Certificate of Approval process in SMC Ch. 25.12.
2. The CHPO shall transmit a written decision on the Owner's submittal to the Owner. Failure of the CHPO to approve or disapprove the request within 14 business days shall constitute approval of the request.
3. Administrative review is available for the following:
 - a. For the specified features and characteristics of the landmark, the addition or elimination of ducts, conduits, HVAC vents, grills, pipes, meters and utility connections, downspouts and gutters, solar panels, and other similar mechanical and electrical elements necessary for the normal operation of the building and site.
 - b. Installing, removing, or altering exterior building lighting and security equipment.
 - c. Installing improvements for safety or accessibility compliance.
 - d. Installing, removing, or altering fire and life safety equipment.
 - e. Installing, removing, or altering signage.
 - f. Exterior paint colors, when painting previously painted materials.

- g. Replacing non-original windows and doors, including alterations to storefront systems, if replacement is compatible with the historic fenestration design consistent with the *Secretary of the Interior Standards for Rehabilitation*.

II. RECOMMENDED INCENTIVES

The following economic incentives may be available to the owner:

1. Certain incentives, and exceptions to or exemptions from regulations in Title 23 Seattle Municipal Code may be available, either by virtue of the zoning designation applicable to the landmark or its status as a landmark.
2. Exceptions to certain requirements of the Seattle Building Code, chapter 22.100 SMC, and the Energy Code of the City, chapter 22.700 SMC, may be authorized pursuant to the applicable provisions thereof.
3. Historic Preservation Special Tax Valuation (Chapter 84.26 RCW) on an application basis.



Sarah Sodt
City Historic Preservation Officer

May 7, 2021

Date